

The image features two thick black L-shaped corner brackets. One is positioned in the top-left corner, and the other is in the bottom-right corner. They are oriented towards each other, framing the central text.

TREASURER REPORT

Study of HOA RECORDS

- We have been going through records including checks, bank statements, prior minutes and agenda's and Legal invoices that cover the past 3 years
- The following slides are a summary of the review completed to date
- Reviews are still not complete and ongoing
- It is my recommendation (John Gray) for the HOA board to engage an independent reputable CPA firm to do a complete audit of the past 3 years to verify and explain all financial transactions

Cash on hand

- Total in Redwood Credit Union as of 9-1-14 was total \$329,558.17 (includes bond account of \$80,417.79)
- Total minus Home builder bonds \$249,140.38
- Total as of 11-20-17 is \$196,431.99 (includes bond amount of \$68,300.34) net is \$128,131.65
- Account reduced by nearly 50% over 3 years with significantly less spent on roads
- HOA owned asset of office/storage shed on 6+ acres
- Value uncertain but HOA invested over \$88,000 in upgrades and then gave away without membership input or vote as required in Bylaws
- Insurance application lists property value at \$210,000

Legal Fees

- Legal invoices located so far amount to \$57,379.28 to date not including expense incurred by current board between 2-20-15 to 8-20-17
- This compares to \$3,338 in invoices from Barbara Zimmerman (previous HOA attorney firm) in 2014
- \$2206.44 was paid by Tom G for new opinion on trail dispute who was reimbursed \$1,000 as per minutes on January 2015
- \$3575 on HOA unit 1 separation paid by Unit 1 members.
- Legal costs to HOA net \$52,598.28 (subject to CPA audit)

Legal fees - continued

- Unit 1 Secession research legal invoices to HOA totaled \$6,530
- Invoices indicate \$3575 paid by unit 1 members
- Remaining appears to have come from HOA funds. (subject to audit)
- \$1,030 in Legal fees to research if Board could remove Sal Culcasi.

Legal fees - continued

- Unfortunately, we have substantially more legal fees on the horizon
- HOA currently has a legal demand claim and threat of litigation
- Our attorney is working to resolve but we have concerns on potential liabilities
- It is under legal review and cannot be disclosed at this time but as soon as possible, board intends to inform membership
- Prior insurer has already denied coverage on this claim
- HOA is facing potential \$10,000 fine from State on a whistle blower retaliation claim
- Concerns on whether Insurance will cover is in question

Costs

- **Legal Invoices targeting on HOA member on trails totaling \$15,887.54 based on invoices I have located to date**
- Research I have done indicates the funds spent had questionable merit at best

Todd/ Culcasi incident

- Brian Todd was paid \$15,248.78 to cover legal fees from the incident “ for attorney fees to defend him against criminal charges. Those charges were dismissed after a court hearing”
- Additionally, the HOA incurred expenses as follows...
- Legal invoices amounted to \$12,282.78 for attorney efforts to obtain insurance coverage for Todd’s claim, and to obtain attorney advice regarding payment of the claim.
- Checks written to private investigator on event were \$450 and \$1,500
- Total spent discovered so far amounts to \$14,222.78
- **Combined cost of getting opinions to indemnify and pay out come to \$29,481.56**
- Davis Sterling does allow for HOA to use expert opinion as long as directors act in good faith and make reasonable inquiry

HOA assets

- Quitclaim deed signed over the office/ storage unit to water company without a vote of the membership on 8-15-2015 (This is also in draft from CPA review)
- Signatures listed as Gift. Signer for HOA was Thomas Giacinto
- Signature receiving property for water board Brian Todd
- Value uncertain but HOA spent in Excess of \$88,000 to upgrade the unit. Property is over 6 acres and has some value
- Value listed as \$210,000 on Insurance application but the Quitclaim deed showed property had ZERO value.
- **7-20-15. Check to Unit one road fund transferring HOA assets in amount of \$38,275.46**
- Attorney email prior mentions no legal requirement to transfer assets
- **Transfer of assets was NOT listed on agenda for 7-20 meeting nor was it listed in minutes**

**Timber Cove
Board of Directors Meeting
Monday July 20, 2015
Timber Cove Homes Office
22098 Lyons Court
2:00 pm
AGENDA**

Executive Session (1:30 pm) if necessary

- 1. Contracts/personnel**
- 2. Litigation potential and legal response to violation of CC&R's and Bylaws.**

Regular meeting 2 pm

Call to Order

Approval of Agenda

Approval of Minutes June 29, 2015

President's Report (T.Giacinto)

Announcements (T. Giacinto, S. Lynn)

Introduction of resident Sheriff

Reports:

- a. Correspondence (S. Lynn)**
 - a. Security and Fire Abatement (N. Lee) Written
- b. Website (S. Lynn, S. Moulton)**
- c. Architectural Report (S. Lynn) (Handout)**
- d. Treasurer's Report (F. Leif)**
 - a. Payment of Bills (Handout)
 - b. Insurance
- e. Security and Fire Abatement (T.McKusick)**
- f. Trail update and survey status**

Public Comment

OLD BUSINESS

- 1. Status of Outside Grants and Contracts (T.McKusick)**
- 2. Roads and Signage Report (T. McKusick)**
- 3. Lyons Court Office Update (T.Giacinto, T.McKusick)**
- 4. PG&E Underground Cable (T. McKusick)**
- 5. Emergency Response (F. Leif)**
- 6. Capital Improvement Plan (T. Giacinto/Sylvia Todd)**
- 7. Annual Meeting Report: Date and Place (S. Lynn, T. Giacinto)**

7.3. Prohibited Acts The Board shall not do any of the following, except with the vote at a meeting of the Association, or by written ballot without a meeting pursuant to California Corporations Code § 7513, of a simple majority of the Members:

- A. Enter into a contract with a third person in which the third person will furnish goods or services for the Common Area or the Association for a term longer than one year or, notwithstanding the term, in which the amount to be paid to the vendor, including, without limitation, amounts to be paid under contingent fee contracts, may reasonably be expected to exceed 5 percent of the budgeted gross expenses of the Association for the fiscal year in which the contract is signed, and the contract is other than for the maintenance, repair, replacement, or reconstruction of one or more elements of the Common Area, with the following exceptions:
 - (1) A management contract, the terms of which have been approved by the Federal Housing Administration or Veterans Administration (if either has jurisdiction over the Project);
 - (2) A contract with a public utility company if the rates charged for the materials or services are regulated by the Public Utilities Commission; provided, however, that the term of the contract shall not exceed the shortest term for which the supplier will contract at the regulated rate;
 - (3) Prepaid casualty or liability insurance policies of no more than three years' duration, provided that the policy permits short-rate cancellation by the insured;
 - (5) Agreements for cable television services and equipment or satellite dish television services and equipment of no more than five years' duration;
 - (6) Agreements for sale or lease of burglar alarm and fire alarm equipment, installation, and services of no more than five years' duration; and
 - (7) A contract for a term not to exceed three years that is terminable by the Association after no longer than one year without cause, penalty, or other obligation upon 90 days' written notice of termination to the other party.
- B. Incur aggregate expenditures for capital improvements to the Common Area in any fiscal year in excess of 5 percent of the budgeted gross expenses of the Association for that fiscal year;
- C. Sell during any fiscal year property of the Association having an aggregate fair market value greater than 5 percent of the budgeted gross expenses of the Association for that fiscal year;
- D. Pay compensation to members of the Board or to the officers of the Association for services performed in the conduct of the Association's business; provided, however, that the Board may cause a member of the Board or officer to be reimbursed for the actual expenses, if reasonable, that are incurred in the performance of his or her duties.

**RECORDED AT THE REQUEST OF
AND WHEN RECORDED RETURN TO:**

Timber Cove County water District
22058 Lyons Court
Jenner, California 95450

Transfer Tax Not Applicable: R&T Code 11922
Exempt from Recording Fees: Gov. Code 27383

APN 109-400-039

Space above this line for Recorder's use only

**CERTIFICATE OF ACCEPTANCE
GRANT DEED**

Pursuant to California Government Code Section 27281, this is to certify that the interest in real property conveyed by the deed or grant dated Aug 10, 2015, 2015 from the Timber Cove Homes Association to the Timber Cove County Water District, a County Water District of the State of California, is hereby accepted by order of the Board of Directors of Timber Cove Water District on August 15th, 2015, and the grantee consents to the recordation thereof.

Dated 8/15/2015

BY: [Signature]
Brian Todd, President of the Timber Cove Water District

ATTEST: Thomas A Giacinto
Vice President/ TCCWD

By: [Signature]
V.P. TCCWD

Quitclaim Deed

THIS QUITCLAIM DEED, executed this 10th day of AUGUST, 2015,
by first party, Grantor, TIMBER COVE HOMES ASSOCIATION
whose post office address is 22098 LYONS COURT, JENNER CA, 95450
to second party, Grantee, TIMBER COVE COUNTY WATER DISTRICT
whose post office address is 22098 LYONS COURT, JENNER CA, 95450

WITNESSETH, That the said first party, for good consideration and for the sum of GAFT
Dollars (\$ GAFT)
paid by the said second party, the receipt whereof is hereby acknowledged, does hereby remise, release and quitclaim unto the
said second party forever, all the right, title, interest and claim which the said first party has in and to the following described
parcel of land, and improvements and appurtenances thereto in the County of SONOMA
State of CALIFORNIA to wit: ATTACHED

ACKNOWLEDGMENT PAGE TO BE ATTACHED TO THE FOLLOWING DOCUMENT:
Quitclaim Deed

A notary public or other officer completing this certificate
verifies only the identity of the individual who signed the
document to which this certificate is attached, and not the
truthfulness, accuracy, or validity of that document.

State of California
County of Sonoma

On 8/10/15 before me, Justin White, Notary Public,
(here insert name and title of the officer)

personally appeared Thomas Anthony Giacinto, who proved to me on the basis of satisfactory evidence to
be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that
he she they, executed the same in his her their authorized capacity(ies), and that by his her their
signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted,
executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing
paragraph is true and correct.

WITNESS my hand and official seal.

Signature [Signature]

(Seal)



TIMBER COVE HOMES ASSOCIATION
 2050 HANOVER CIRCLE
 JAYCO, CA 95420
 (916) 647-2012

HOMEOWNERS ASSOCIATION
 201 BROOKLAND BOULEVARD
 REDWOOD CITY, CA 94061
 (650) 754-1111

7394
 7090815

PAY TO THE ORDER OF: LHR 1 Road Fund

\$ 38,255.48

Thirty-Eight Thousand Two Hundred Seventy-Five and 48/100

LHR 1 Road Fund

MEMO

[Signature]
 [Signature]

45DB8110000011985671253 #1981004

0374 5770 9170710 1121140008 650315 8740

Cleared To The Account Of
 Homeless Project
 Washington State Bank
 2000

Additional information

- Sal Culcasi was lone no vote on payment of bills
- Sal confirmed the transfer of assets was included in bills as payment of bills
- This was NOT a bill. It was a transfer of HOA assets
- Minutes from April 2015 reflect the following:
 - *CCR's for Unit one secession completed*
 - ***“The responsibility to maintain the roads in Unit 1 remain with Unit one***

Trail costs

- Trail costs from invoices located so far equal
- \$11,245
- This includes survey costs ,payments to 2 workers and \$1800 payment to John Howland for work done on John Sperry trail
- PLUS- \$15,887 on Legal fees targeting one member's property
- Total \$27,132 based on current findings
- Complete CPA audit recommended to verify totals

Summary of some costs

- Asset while value uncertain, over \$88,000 in HOA funds were invested in the property
- It was then transferred to water board without vote of membership as required in Bylaws claiming zero value
- \$52,598 spent in legal fees
- \$15,887.54 spent targeting 1 property to put trails across one property
- Additional \$11,245 on trail surveys, design and construction found
- \$2955 on unit 1 separation after unit 1 members contributions (subject to audit)
- \$29,481.56 spent on Todd/ Culcasi incident (head butting)
- \$38,275.46 given away to unit 1 road fund (never on agenda)
- Additional funds spent still under investigation
- This is subject to complete audit to be disclosed when completed if approved.

Current status on Taxes and reviews

- We are up to date on current payroll taxes after not having paid for nearly 3 years until June of this year
- Taxes filed for 2014 and 2015 as well as addendum for 2014
- We have not yet been forgiven the late filing penalties but CPA is negotiating to have reduced or forgiven.
- CPA explained that difference between review and return due to return was 3 years late and needed filing to avoid any more potential fines from accumulation and further adjustments to returns likely
- 2016 Still incomplete but we have legal extension until January. Thank you Sue Ellen on hard work with CPA in order to attempt to straighten out issue.
- Review from CPA for 2014/2015 and 2015/2016 now being reviewed.
- 2016/2017 Not yet completed.
- We are nearly completed with reconciliation of the books in order to have audit completed
- Move to have complete audit by reputable CPA firm upon completion of reconciliation and review

Road status

- Ron Case and John Gray did ride with Timber cove excavation to get bid on sweeping and roadside maintenance
- Bids received from Mann Excavation and Timber Cove Excavation
- Calls out to other contactors to get competing bids Von Renner declined work citing they do not have sweeping equipment. Little road maintenance has been performed in 3 years but some capital improvement work was done
- Invoices for past 3 years located so far amount to \$47,223.
- 11-20-16 \$13,000 payment to Mark Mann Excavation for work done to widen turnout at Ruoff and Hwy 1. That Turnout is in Unit 1
- Given that amount was on a Unit 1 road, work in Unit 2 amounts to \$34,223 based on invoices and checks found so far in records
- Road work for past 3 years significantly less spent than on legal fees.

Insurance

- On 10-26-17 John Gray and HOA attorney Martin Hirsch met with our insurance broker to cover insurance application filled out by previous HOA president
- This application included multiple misstatements that included.....
- HOA had never had non renewal by previous insurers when in fact, the prior insurer issued a non renewable notice was dated in May 2017 and was the very reason we needed to file an application for insurance with a new insurer.
- HOA had no knowledge of any potential claims against HOA or its officers when in fact there were multiple minutes in previous 2 years that included litigation update, letter from attorney for a member threatening litigation over trail dispute, letter from previous office manager alleging criminal and civil violations and directing any communications to her attorney

Insurance continued

- Application listed office/storage shed as 2000 square feet and HOA property
- Building is closer to 500 square feet and old board signed over to water district
- Listed zero employees but Brian Todd was in fact an employee, (at least according to the indemnification claim)
- Security guard also was employed as verified through payroll records
- Claimed employees were not required to use own vehicles when in fact security patrols included vehicles that were employee owned, HOA reimbursed for mileage and provided magnetic signs to go on the doors
- Claimed that there were less than 5 undeveloped properties in HOA when in fact, there are 111

Insurance continued

- These misstatements and others put association at risk of....
- **LOSING ALL COVERAGE**
- Application was signed by previous HOA president
- Refusal to pay any claims that could result due to misleading underwriter
- Potential to make HOA uninsurable in future as well
- The meeting was called due to the language requiring any inaccuracies must be disclosed making it our legal obligation to correct.



UNITED STATES LIABILITY INSURANCE GROUP
A FEDERAL MONOLINE COMPANY

USLI.COM
888-823-8246

Community Association Package Product Application

Applicant may qualify for an INSTANT QUOTE by completing Section I below. Section II answers will be required prior to binding and are subject to underwriting.

I. INSTANT QUOTE INFORMATION

Instant quote is not available for accounts with losses in the past 5 years. If there is loss history, please complete Section I and submit details.

Association Name: Timber Cove Homes Association
Location Address: 22008 Lyons Court
City: Jenner
State: CA Zip: 95450

Web Address: _____ Same as mailing address
Type of Association: _____

Residential Condo Homeowner
 Mobile Home/RV Park Road/Lake Association Commercial/Retail Cooperative Master with sub-associations

Number of Units: 215 Property Owner Condo-Hotel Timeshare/Interval

Is there any commercial/retail occupancy? Yes No
If "Yes", # of retail units: _____ Number of Employees: 0

Total area of commercial/retail space: _____ square feet
Who is responsible for the insurance and maintenance of the residential buildings? The Association or Individual Unit Owners

Does the Association own or maintain a pool? Yes No
If "Yes", confirm number of enclosed/fenced locations with pools: _____

Age of oldest building: 49 Maximum # of stories: _____
Are any units in the association available as rental units? Yes No

Are there any short-term rentals owned or managed by the Association? Yes No
What percentage of the units are occupied by student tenants? (not applicable in DC): _____

What percentage of units are sold? 100% What is the average home/unit value? 300000
Does any person/entity own multiple units? Yes No

If "Yes", what is the greatest percentage of units owned by one person/entity? 2 Yes No

Amenities Section

Does the Association own or maintain any of the following amenities? If "Yes", confirm number of each: Yes No

Docks/Slips/Piers: _____ Privately Owned Beaches: _____ Lakes/Ponds (acres): _____
Fitness Center: _____ Streets/Roads (miles): _____ Sport Courts (type): _____
Open Space/Greenbelts (acres): _____ Playgrounds: _____ Clubhouse (square feet): _____
Walking/Equestrian Trails (miles): 15 Enclosed Parking Garages (square feet): _____

Property Section

Construction: Frame Joisted Masonry Other
Protection Class: 1 Building Limit: \$215,000 Year Constructed: 1988 Square Footage: 2000

Deductible: \$1,000 \$2,500 \$5,000
Blanket Agreed for Property Coverage other than Buildings, please choose one of the following Coinsurance options:
 80% Agreed Amount Blanket Agreed Amount must be insured to 100% of the listed property value subject to a maximum total insured value of \$250,000 (not available in all states)

Please provide requested limits for the following property that is to be insured:

Business Personal Property: \$15,000
Streets And Roads: \$0
Shed/Gazebo: \$0
Landscape Equipment: \$0
Fence/Walls: \$0
Trees/Shrubs: \$10,000
Signs: \$0
Decks/Awnings: \$0
Other Paved Surfaces: \$0
Indoor Equipment: \$0
Walkways: \$0
Hot Tubs/Jacuzzi: \$0
Irrigation/Sprinkler Systems: \$0
Lighting: \$0

II. ELIGIBILITY CRITERIA

- Does the Association have any prior, pending, or existing bankruptcy in the past 5 years? Yes No
- Has any insurance policy in the name of the Association ever been canceled or non-renewed? Yes No
If "Yes", please explain: _____
- Does the Association have an affiliation with, own or maintain any of the following:
 - Golf course or country club? Yes No
If "Yes", does the golf course or country club have a separate board or is it separately managed? Yes No
 - Water Treatment Facility? Yes No
 - Airport/Airstrip or Sewage Treatment Facility? Yes No
- Does the builder/developer/sponsor maintain representation on the board? Yes No
If "Yes", has control of the board been turned over to the Association? Yes No
- Is there any ongoing conversion from apartments to condominiums? Yes No
- Is membership in the Association voluntary? Yes No
- If there is any commercial cooking, does the kitchen meet all NFPA 96 requirements? N/A Yes No
- Professional Liability**
 - Does the Association have a negative fund balance? Yes No
 - Within the last 24 months:
 - Has the Association completed a foreclosure sale against an owner? Yes No
 - Have any board elections been challenged? Yes No
 - Has the board initiated litigation for reasons other than the collection of dues/fees? Yes No
- Within the last 5 years, has any inquiry, complaint, notice of hearing, claim or suit been made against the applicant, or any person proposed for insurance in the capacity of Director, Officer, Trustee, Employee or Volunteer of the applicant? Yes No
If "Yes" to question 10 or 11, Complete a USLI Claims Supplemental for each claim.
- Are more than 50% of the units rented or leased? Yes No
- General Liability**
 - Have there been any General Liability losses/claims in the past 3 years? (if yes, attach loss runs) Yes No
 - Does the Association obtain certificates of General Liability and Worker's Compensation coverage from all contractors? Yes No
- If the applicant is responsible for the insurance or maintenance of the residential buildings, please answer the following:
 - Is there any aluminum or knob & tube wiring? Yes No
 - Is 100% of the wiring connected to functioning circuit breakers? Yes No
 - Are there functioning smoke detectors and fire extinguishers in all common areas? Yes No
 - If over 3 stories, is there a fully enclosed, fire-protected stairwell? N/A Yes No
 - If over 7 stories, is the building 100% sprinklered? N/A Yes No
- Are less than 50% of the units occupied? Yes No
- Is the Association subject to any age restrictive covenants? Yes No
- Is there use of the Association's recreational facilities by non-unit owners or the public? Yes No
- Does the Association sponsor any athletic teams or hold sporting competitions on premises? Yes No
- Does the Association have an affiliation with, own, maintain or contract for any of the following: animal stables, bridges for vehicle use, day care, skiing/resort activities, fire/police/ambulance services, electricity generation or other utilities? Yes No
- Does the Association own or maintain any undeveloped lots? Yes No
- Are there more than 5 undeveloped lots (not owned or maintained by the Association)? Yes No
- Are there plans for construction or development of any undeveloped lots (if applicable)? Yes No
- Does the Association have any preventive measures including armed or unarmed security, manned or unmanned security gates, surveillance cameras, motion sensors, and alarm systems in place to monitor or guard access to their property? Yes No
- If the Association is a Master Association, are all sub-associations required to carry their own insurance? Yes No
- Are more than 90% of the units rented or leased? Yes No

See Encl 10/11/11

Hired and Non Owned Auto Liability

Check if coverage is desired

- a) Does the Association own any automobiles or have a Business Automobile Policy in force? Yes No
- b) Does the Association regularly deliver goods or products? Yes No
- c) Does the Association require its employees to use their personal automobile to conduct the Association's business on a regular basis? Yes No

If the applicant answered "Yes" to having Amenities in Section I, please answer the following that apply:

- 27. If there is a pool, does the following apply for each pool: completely fenced with self-latching gate, depths clearly marked, rules clearly posted, life safety equipment readily available, and no diving boards or slides? Yes No
If "Yes", does the pool comply with the Virginia Graeme Baker Pool and Spa Safety Act? Yes No
- 28. If there is a fitness center, are rules posted requiring adult supervision and no professional services provided? Yes No
- 29. If there is a lake, pond or beach:
 - a) Are there any bridges for vehicle use or dams? Yes No
 - b) Is swimming permitted? Yes No
If "Yes", does the following apply: rules are clearly posted, there are no diving boards or slides, there is life saving equipment present and the lake/beach is for use by the Association members only? N/A Yes No
 - c) Does the Association own or rent any watercraft? Yes No
- 30. If there are any docks/slips/piers, please answer the following:
 - a) Are there any commercial operations or docking of commercial vessels permitted? Yes No
 - b) Are any marina services provided (fueling, dry boat storage/moorage, repair, sales, etc.)? Yes No
 - c) Is there a charge or fee for access to the pier? N/A Yes No
 - d) Does the Association own or rent any watercraft? Yes No
- 31. If there are any association-owned common buildings (i.e. clubhouse), does the following apply: All wiring connected to functioning circuit breakers, the entire building is protected by functioning smoke detectors, and no aluminum or knob & tube wiring? Yes No

Property

- 32. Have there been any Property Losses in the past three years? (if yes, attach loss runs) Yes No
- 33. If you own the building and it is older than 10 years, please complete the following:
Age of roof: 15 _____ yrs. Plumbing Updated (yr) _____ Electrical Updated (yr) _____ Heating Updated (yr) _____
- 34. Roof Type: Flat Wood Shake Shingle Metal Tile Slate Other: _____
- 35. Functioning and operational fire extinguishers, smoke and/or heat detectors in all common areas? Yes No
- 36. For any building built prior to 1978, 100% of the electrical wiring is connected to functioning and operational circuit breakers? N/A Yes No
- 37. For any building built prior to 1978, no aluminum or knob & tube wiring. N/A Yes No
- 38. If there is a restaurant, please answer the following:
 - a) Is there commercial cooking on the premises? N/A Yes No
 - b) Describe Cooking equipment used:
 Grills Open Flame Oven Deep Fat Fryers Charcoal Grill
 - c) What type of extinguishing system is functioning and operational? Wet Dry
 - d) Is there a cleaning contract in force with an outside firm? Yes No

III. ADDITIONAL APPLICANT INFORMATION

Form of Business: Individual Corporation Partnership LLC Other _____

What year did the business start? _____

Applicant's Mailing Address: _____ (if different than the location address above)

City: _____ State: _____ Zip: _____

Email Address of primary contact: _____ Phone: _____

Inspection Contact Name: _____ Telephone/Email Address: _____

Property Manager/Firm Name: _____ Telephone/Email Address: _____

7/12/2017

TCHA Insurance signed pages 7 11 17 001.jpg

Fraud Statement (All Other States): Any person who knowingly presents a false or fraudulent claim for payment of a loss or benefit or knowingly presents false information in an application for insurance is guilty of a crime and may be subject to fines and confinement in prison.

If your state requires that we have information regarding your Authorized Retail Agent or Broker, please provide below.

Retail Agency Name: Cannon Insurance & Sullivan License #: 0210855

Main Agency Phone Number: 415-941-3638

Agency Mailing Address: _____

City: _____ State: _____ Zip: _____

The signer of this application acknowledges and understands that the information provided in this Application is material to the Insurer's decision to provide the requested insurance and is relied on by the Insurer in providing such insurance. The signer of this application represents that the information provided in this Application is true and correct in all matters. The signer of this Application further represents that any changes in matters inquired about in this Application occurring prior to the effective date of coverage, which render the information provided herein untrue, incorrect or inaccurate in any way will be reported to the Insurer immediately in writing. The Insurer reserves the right to modify or withdraw any quote or binder issued if such changes are material to the insurability or premium charged, based on the Insurer's underwriting guides. The Insurer is hereby authorized, but not required, to make any investigation and inquiry in connection with the information, statements and disclosures provided in this Application. The decision of the Insurer not to make or to limit any investigation or inquiry shall not be deemed a waiver of any rights by the Insurer and shall not stop the Insurer from relying on any statement in this Application in the event the Policy is issued. It is agreed that this Application shall be the basis of the contract should a Policy be issued and it will be attached and become part of the Policy.

Applicant's Signature: [Signature] Title: PRESIDENT Date: 7-11-2017

Officer of the Board or Property Manager

TIM MCKUSICK

Insurance continued

- **On 11-16-17 We were notified by insurance carrier that our coverage is being canceled as of 12-27-17**
- The insurer cited inaccurate information on signed application as the reason. Specifically, the number of undeveloped properties
- Non renewal by one insurer and subsequent cancelation by the succeeding, current insurer, combined with recent claims history, is likely to make procuring adequate replacement coverage before 12-27-17 significantly more challenging and expensive than in the past

Lack of insurance consequences

- Articles VIII section 8.1 in Association Bylaws on Association duties and Responsibilities section B on Insurance references California Civil Code 1365(e)
- California Civil code 1365.9 as stated in our bylaws states the following
- That if the Association is not insured, Owners may be individually liable for the entire amount of the judgement, and, if the Association is insured to the levels specified in the section, then the Owners may be individually liable only for their proportional share of the Assessments levied to pay the amount of any judgement that exceeds the limits of the Associations Insurance.
- This means every property owner in HOA could be potentially responsible for paying out of pocket for judgement against HOA that could amount to Thousands of dollars per property in HOA
- While there has been some revisions to the code in 2012 on individual liability, now replaced with code 5805, the bottom line is Davis Sterling requires assessment of members in event the HOA is unable to pay its bills and requires maintaining \$3million in insurance.
- Our Attorney is researching how our CCR's would apply that new code

ARTICLE VIII.
ASSOCIATION DUTIES AND RESPONSIBILITIES

8.1. Association Duties. The Association shall, as provided in these Bylaws or as the Board may otherwise direct, through its Managing Agent, if any, undertake the following duties and responsibilities:

A. Maintenance. Perform the maintenance described in paragraph 5.1.A of the Declaration;

B. Insurance. Maintain insurance as required by paragraph 8.1 of the Declaration. The Association shall, upon issuance or renewal of insurance, but no less than annually, notify the Members as to the amount and type of insurance carried by the Association, and it shall accompany this notification with statements (required under California Civil Code § 1365(e)) to the effect that the Association is or is not insured to the levels specified by California Civil Code § 1365.9, and that if the Association is not so insured, Owners may be individually liable for the entire amount of a judgment, and, if the Association is insured to the levels specified in the section, then the Owners may be individually liable only for their proportional share of Assessments levied to pay the amount of any judgment that exceeds the limits of the Association's insurance. The Association shall not levy any Assessment against the Members to pay the amount of any judgment against the Association without a vote approving that Assessment or written consent of a majority of the Members. The Association shall prepare and distribute to its Members the summaries of the Association's insurance policies as required by California Civil Code § 1365(e), pursuant to paragraph 12.1.F of these Bylaws;

C. Discharge of Liens. Discharge by payment, if necessary, any lien against the Common Area and assess the cost of the lien to the Member or Members responsible for the existence of the lien (after notice and hearing as required by these Bylaws);

D. Assessments. Fix, levy, collect, and enforce Assessments as set forth in Article IV of the Declaration;

E. Expenses and Obligations. Pay all expenses and obligations incurred by the Association in the conduct of its business, including, without limitation, all licenses, taxes, or governmental charges levied or imposed against the property of the Association;

F. Enforcement. Enforce these Bylaws and the Declaration;

G. Records. Cause to be kept a complete record of all acts and affairs of the Association and to present a statement of them to the Members at the annual meeting of the Members, or at any special meeting when the statement is requested in writing by five percent (5%) of the Members; keep adequate and correct books and records of account, minutes of proceedings of its Members, Board, and committees, and a record of its Members giving their names and addresses and classes of membership;

Concerns

- We have approx. \$98,685 in income a year (if everyone pays)
- Out of this we need to cover
- Roads
- Employee and administrative costs (CPA audits, insurance, tax returns etc.)
- Reserve funding
- In other words, little left for Legal, Trails etc.
- We have \$21,050.30 in apparent uncollectable dues on 3 properties.
- One property on Umland sold with outstanding balance of \$4,816.13
- One property on Davis with \$9,797.40 outstanding balance
- One property on Timber Cove Road that was sold with \$6,436.27 outstanding balance
- No liens had been posted
- It appears little or no prior research had been done on these properties and names on outstanding HOA records do not match actual owners.

Concerns

- Finances of HOA are in a critical state.
- Insurance coverage a major concern. (we may have none as of 12-27-17)
- While we have made significant progress in collecting past due dues, we still have several properties significantly behind
- Cash on hand may not properly fix the roads as many have deteriorated due to lack of maintenance.
- Our current status needs to be reviewed and decisions on repairs will need to be made by committee based on priority and funds on hand
- Recommend complete audit of last 3 years by a reputable CPA firm.
- Member input will be solicited on next steps





